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112TH CONGRESS
1ST SESSION

# H. R. 2784

To amend the Internal Revenue Code of 1986 to encourage the deployment of highly efficient combined heat and power property, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2011

Mr. TONKO (for himself, Ms. BERKLEY, and Mr. INSLEE) introduced the following bill; which was referred to the Committee on Ways and Means

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# A BILL

To amend the Internal Revenue Code of 1986 to encourage the deployment of highly efficient combined heat and power property, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Innovative Energy Systems Act of 2011''.

**SEC. 2. INVESTMENT TAX CREDIT FOR HIGHLY EFFICIENT COMBINED HEAT AND POWER SYSTEM PROPERTY.**

(a) IN GENERAL.—Clause (i) of section 48(a)(2)(A) of the Internal Revenue Code of 1986 is amended by strik-

ing ''and'' at the end of subclause (III), by redesignating subclause (IV) as subclause (V), and by inserting after subclause (III) the following new subclause:

''(IV) energy property described in paragraph (3)(A)(viii), and''.

(b) TREATED AS ENERGY PROPERTY.—Subparagraph (A) of section 48(a)(3) of such Code is amended by striking ''or'' at the end of clause (vi), by inserting ''or'' at the end of clause (vii), and by adding at the end the following new clause:

''(viii) highly efficient combined heat and power system property,''.

(c) HIGHLY EFFICIENT COMBINED HEAT AND POWER SYSTEM PROPERTY.—Subsection (c) of section 48 of such Code is amended by adding at the end the following new paragraph:

''(5) HIGHLY EFFICIENT COMBINED HEAT AND POWER SYSTEM PROPERTY.—

''(A) HIGHLY EFFICIENT COMBINED HEAT AND POWER SYSTEM PROPERTY.—The term 'highly efficient combined heat and power system property' means property at an industrial, commercial, or institutional facility comprising a system which—

''(i) uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

''(ii) has a system design that provides an energy efficiency percentage of at least 70 percent, and

''(iii) is placed in service before January 1, 2017.

''(B) LIMITATION.—

''(i) IN GENERAL.—In the case of highly efficient combined heat and power system property with an electrical capacity in excess of the applicable capacity, the credit under subsection (a)(1) (determined without regard to this paragraph) with respect to such property for the taxable year in which such property was placed in service shall not exceed the amount which bears the same ratio to such credit as the applicable capacity bears to the capacity of such property.

''(ii) APPLICABLE CAPACITY.—For purposes of clause (i), the term 'applicable capacity' means 25 megawatts or a mechanical energy capacity of more than 34,000 horsepower or an equivalent combination of electrical and mechanical capacities.

''(C) INSTITUTIONAL FACILITY.—The term 'institutional facility' means a hospital or a facility of an educational organization described in section 170(b)(1)(A)(ii).

''(D) COMMERCIAL FACILITY.—The term 'commercial facility' shall not include any facility of a utility.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

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